

WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY

Financial Statements

June 30, 2006

TABLE OF CONTENTS

Independent Auditors' Report	<u>Page</u> 1-2
Management's Discussion and Analysis	MDA 1-5
Financial Statements:	
Statement of Net Assets	3-4
Statement of Revenues, Expenses, and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17
Supplemental Information:	
Statement of Revenues & Expenses Compared to Budget	18
Single Audit:	
Schedule of Expenditures of Federal Awards	19-20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	23-24
Utah State Compliance Report Based on the Requirements, Special Tests and Provisions Required by the State of Utah's Legal Compliance Audit Guide	25-26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Year Audit Findings	28



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INDEPENDENT AUDITORS' REPORT

The Authority Board
Wasatch Mental Health Services Special Service District

We have audited the accompanying financial statements of Wasatch Mental Health Services Special Service District, a component unit of Utah County, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Wasatch Mental Health Services Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Mental Health Services Special Service District, as of June 30, 2006, and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006 on our consideration of Wasatch Mental Health Services Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages MDA-1 through MDA-5 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Wasatch Mental Health Services Special Service District, taken as a whole. The statements listed in the supplemental information section of the table of contents and the Schedule of Expenditures of Federal Awards listed in

the single audit section of the table of contents, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the financial statements of Wasatch Mental Health. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2006



Wasatch Mental Health

*P. LaMar Eyre, MSW, LCSW
Executive Director*

Management's Discussion and Analysis

As management of Wasatch Mental Health Special Services District (The Center), we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the independent Auditor's report.

History and Background of District

Wasatch Mental Health is a separate Special Service District of Utah County formed July 1, 2003. It provides mental health services to the residents of Utah County, and is a component unit of Utah County for financial reporting purposes.

Prior to July 1, 2003 Wasatch Mental Health was a separate, legal, political entity formed under an inter-local cooperation agreement between Utah and Wasatch Counties to provide mental health services to the residents of the two counties.

Today Wasatch Mental Health has approximately 350 part and full-time employees who provide critically needed mental health services to nearly 6,000 Utah County residents.

Financial Highlights

- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by \$11,741,868 (*total net assets*). Of this amount, \$5,918,523 may be used to meet the Center's ongoing obligations.
- The Center's total net assets increased by \$151,744.
- At the end of the current fiscal year, the unrestricted net assets balance was \$5,918,523 or 50 percent of total fund balance.
- The Center's total liabilities increased by \$2,844,235 (51 percent) during the current fiscal year. The significant changes included: 1) \$580,241 increase in accounts payable 2) \$2,207,806 increase in Medicaid match payable, 3) a decrease of \$412,034 in accrued liabilities from a reduction in wages & benefits payable and 4) an increase of \$329,170 in Medicaid payable due to premium overpayment from rate changes.
- Fiscal year 2006 revenues increased by \$688,061 or 3.7% while expenses increased by \$1.04 million or 5.8%.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Center's basic financial statements. The basic financial statements comprise two components:

1) financial statements and 2) notes to the financial statements. Wasatch Mental Health is a special-purpose government engaged only in business-type activities, so only the fund financial statements are presented as the basic financial statements. The report also includes other supplementary information in addition to the basic financial statements.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Center's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Center's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Center is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Center's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

The *Statement of Cash Flows* presents information showing how the cash and cash equivalents of the Center changed during the most recent fiscal year because of cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Center's functional expenses and schedule of federal awards.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$11,741,868 at the close of the fiscal year.

By far the largest portion of the Center's net assets (50 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). There is no outstanding debt related to any of these capital assets.

Wasatch Mental Health Net Assets

	2006	2005
Current and other assets	\$13,906,394	\$10,648,556
Capital assets (net of accumulated depreciation)	5,823,345	6,074,507
Other assets	466,976	477,674
Total assets	20,196,715	17,200,736
Current liabilities	7,481,866	4,694,117
Long-term liabilities	972,981	916,495
Total liabilities	8,454,847	5,610,612
Net assets:		
Invested in capital assets, net of related debt	5,823,345	6,074,506
Unrestricted	5,918,523	5,515,618
Total net assets	\$11,741,868	11,590,124

The balance of *unrestricted net assets* \$5,918,523 may be used to meet the Center's ongoing operations or obligations to creditors.

At the end of the current year, the Center is able to report positive balances in all categories of net assets. The same situation held true for the prior year.

The Center's net assets increased by \$151,744 during the current fiscal year.

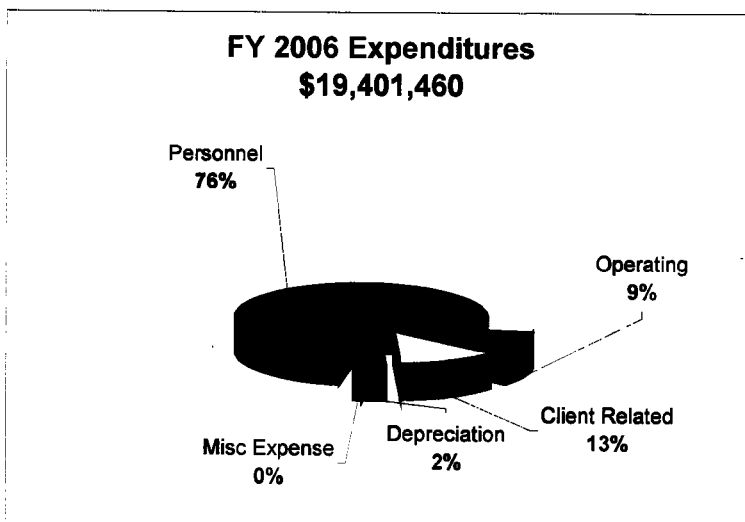
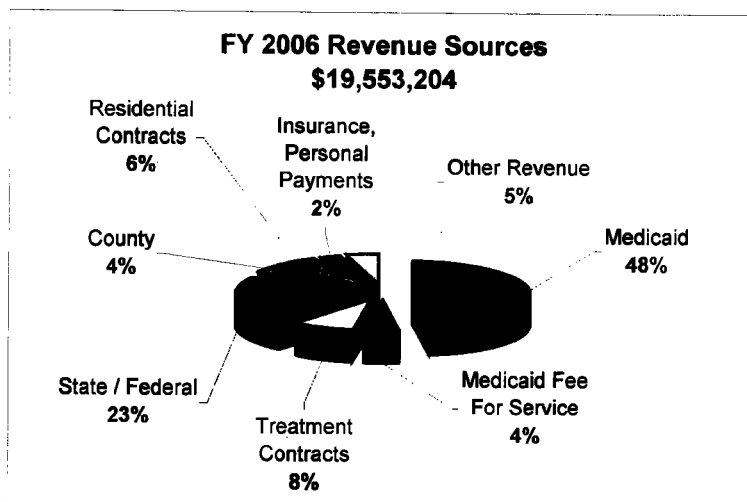
Business-type Activities. Key elements of the growth of net assets are as follows:

Wasatch Mental Health's Changes in Net Assets

	2006	2005
Revenues:		
Grants	\$4,706,600	\$4,526,700
Medicaid	9,327,841	10,001,555
Medicaid fee for service	942,095	355,954
Treatment contracts	3,134,274	2,686,421
Collections	531,430	559,026
Other revenue	910,964	557,946
Total revenue	19,553,204	18,687,602
Expenses:		
Personnel	14,306,821	13,648,376
Travel	51,330	33,093
Program operating expenses	4,567,442	4,021,669
Depreciation	475,867	472,500
Total expenses	19,401,460	18,175,638

Change in net assets	151,744	511,964
Net assets – Beginning	11,590,124	11,078,160
Net assets – Ending	11,741,868	11,590,124

- Charges for services for business-type activities increased by approximately \$865k or 2.8 percent. The increase is attributable to several factors. 1) An increase of approximately \$1.2M in grants, treatment contracts and Medicaid fee for service revenue in an effort to expend services in these areas to help offset 2) Decreased Medicaid revenue of \$673k from reduced rates during the year.
- Investment earnings increased by approximately \$213,000 because of higher interest rates & larger invested balances during FY 2006.
- Expenses increased during FY2006 primarily in an effort to provide more services to clients. More clinical personnel were added in response to an increased demand for services in the Medicaid population as well as other fee for service opportunities.



Capital Asset and Debt Administration

Capital Assets. The Center's investment in capital assets for its governmental and business- type activities as of June 30, 2006 amounts to \$5,823,345 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture & equipment and vehicles. The total decrease in the Center's investment in capital assets for the current fiscal year was \$251,161 or 4.1 percent. This was primarily due to increased depreciation expense from recently completed buildings. Major capital asset events during the current fiscal year included scheduled replacement of certain fleet vehicles & other equipment used in the Center's operations.

Wasatch Mental Health's Capital Assets (net of depreciation)

	2006	2005
Land & buildings	7,250,628	\$6,950,628
Building improvements	1,589,695	1,556,732
Furniture and Equipment	1,108,625	986,870
Vehicles	228,748	170,239
Less: accumulated depreciation	(4,354,351)	(3,589,963)
Total	5,823,345	6,074,506

Long-term debt. The Center has no debt financing of capital assets. During the year, an additional accrual of \$62,586 was made for post-retirement benefits. Of this amount, \$56,485 is considered long-term.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Center's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wasatch Mental Health, ATTN: Todd W. Phillips, 750 North 200 West, Provo, UT 84601.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Statement of Net Assets

June 30, 2006

With Comparative Totals for June 30, 2005

	Proprietary Fund Type Enterprise Fund		Discrete Component Unit
ASSETS			
Current Assets	2005	2006	2006
Cash and investments (Note 2)	\$ 6,538,967	\$ 7,056,461	\$ 38,014
Restricted cash and cash equivalents (Notes 2 & 3)	82,404	154,860	
Receivables, net (Note 1)	2,371,970	1,953,984	
Current portion of notes receivable (Note 10)	10,177	10,698	
Other current assets	1,645,038	4,730,391	
Total current assets	10,648,556	13,906,394	38,014
Noncurrent Assets			
Notes receivable (Note 10)	477,674	466,976	
Capital assets (Notes 1 & 4)			
Land & buildings	6,950,628	6,950,628	
Building improvements	1,556,732	1,589,695	
Furniture, fixtures & equipment	986,870	1,108,625	
Vehicles	170,239	228,748	
Less: accumulated depreciation	(3,589,963)	(4,054,351)	
Total noncurrent assets	6,552,180	6,290,321	
Total assets	\$ 17,200,736	\$ 20,196,715	\$ 38,014

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Statement of Net Assets

June 30, 2006

With Comparative Totals for June 30, 2005

	Proprietary Fund Type Enterprise Fund		Discrete Component Unit
	2005	2006	2006
LIABILITIES			
Current Liabilities			
Checks written against future deposits		\$ 396,020	
Accounts payable	\$ 252,943	439,164	
Rent deposits	4,576	4,644	
Patient funds (Note 3)	82,623	154,900	
Employee funds	17,248	20,856	
Accrued liabilities	1,517,969	1,105,935	
Post retirement benefits (Note 14)	53,113	59,214	
Compensated absences (Note 1)	747,965	746,477	
Medicaid match payable	1,195,285	3,403,091	
Deferred revenue (Note 1)	822,395	1,151,565	
Total current liabilities	4,694,117	7,481,866	
Noncurrent Liabilities			
Post retirement benefits (Note 14)	916,495	972,981	
Total noncurrent liabilities	916,495	972,981	
Total liabilities	5,610,612	8,454,847	
NET ASSETS			
Restricted - Invested in capital assets	6,074,506	5,823,345	
Unrestricted	5,515,618	5,918,523	\$ 38,014
Total net assets	\$ 11,590,124	\$ 11,741,868	\$ 38,014

WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Proprietary Fund Type Enterprise Fund		Discrete Component Unit
	2005	2006	2006
Operating Revenues:			
Service grants	\$ 4,526,700	\$ 5,128,264	
Contracts	13,043,930	12,982,548	
Collections	559,026	531,430	
Other	322,510	442,076	\$ 46,194
Total operating revenues	18,452,166	19,084,318	46,194
Operating Expenses:			
Personnel	12,795,448	14,306,821	
Travel	33,093	51,330	
Office	75,116	106,317	
Occupancy	500,473	697,344	
Contracted services	1,759,184	1,923,188	
Staff support	206,782	256,994	
Professional supplies	30,622	47,012	
Patient costs	628,207	657,927	
Data processing	173,816	459,042	
Vehicle expense	181,249	181,849	
Depreciation (Note 1)	472,500	475,867	
Uncollectible billings (Note 1)	301,289	39,358	
Other	164,931	198,411	8,180
Total operating expenses	17,322,710	19,401,460	8,180
Operating income (loss)	1,129,456	(317,142)	38,014
Nonoperating Revenues:			
Rental revenue	32,828	29,900	
Donation revenue	2	25,000	
Interest revenue	178,533	391,663	
Dividend income	13,491	12,390	
Restitution revenue	9,600	9,600	
Gain on disposition of assets	982	333	
Total nonoperating revenues	235,436	468,886	0
Income before cumulative effect of change in accounting principle	1,364,892		
Cumulative effect of change in accounting principle (Note 16)	(852,928)		
Net income	511,964	151,744	38,014
Change in net assets	511,964	151,744	38,014
Net assets — beginning of year	11,078,160	11,590,124	
Net assets — end of year	\$ 11,590,124	\$ 11,741,868	\$ 38,014

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Statement of Cash Flows

For the Year Ended June 30, 2006

With Comparative Totals for the Year Ended June 30, 2005

	Proprietary Fund Type Enterprise Fund		Discrete Component Unit
	2005	2006	2006
Cash flows from operating activities:			
Receipts from patients and funding sources	\$ 17,282,136	\$ 19,020,349	
Other receipts	364,940	506,576	\$ 46,194
Payments to suppliers	(1,656,001)	(1,931,434)	
Payments to employees	(12,795,448)	(14,306,821)	
Payments for contracted services	(1,759,184)	(1,923,188)	
Payments for patient costs	(636,363)	(585,650)	
Other payments	(346,180)	(380,260)	(8,180)
Net cash provided by operating activities	453,900	399,572	38,014
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	982	333	
Purchases of capital assets	(236,514)	(224,706)	
Net cash used by capital and related financing activities	(235,532)	(224,373)	
Cash flows from investing activities:			
Interest on investments	178,533	391,663	
Dividends received	13,491	12,390	
Payments received on note receivable	10,178	10,698	
Net cash provided by investing activities	202,202	414,751	
Net increase (decrease) in cash and cash equivalents	420,570	589,950	38,014
Balances – beginning of year	6,200,801	6,621,371	
Balances – end of year	\$ 6,621,371	\$ 7,211,321	\$ 38,014
Cash and cash equivalents	\$ 6,538,967	\$ 7,056,461	\$ 38,014
Restricted cash	82,404	154,860	
Total cash and cash equivalents	\$ 6,621,371	\$ 7,211,321	\$ 38,014
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,129,456	\$ (317,142)	\$ 38,014
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	472,500	475,867	
Changes in assets and liabilities:			
(Increase) decrease in receivables	(546,231)	417,465	
(Increase) decrease in other current assets	(1,521,623)	(3,085,353)	
Increase (decrease) in checks written against future deposits		396,020	
Increase (decrease) in accounts payable	(130,585)	186,221	
Increase (decrease) in patient fund liability	(8,156)	72,277	
Increase (decrease) in other accrued liabilities	614,314	(18,089)	
Increase (decrease) in Medicaid payables	401,795	2,207,806	
Proceeds from rentals	32,828	29,900	
Proceeds from donations	2	25,000	
Proceeds from restitution	9,600	9,600	
Net cash provided by operating activities	\$ 453,900	\$ 399,572	\$ 38,014

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of Wasatch Mental Health Services Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). This summary of significant accounting policies of the Center is presented to assist in understanding the financial statements.

Wasatch Mental Health Services Special Services District (the Center) is a separate Special Service District of Utah County under the direction of the County Commissioners. The Center began operating as a Special Service District on July 1, 2003. It provides mental health services to the residents of Utah County, and is a component unit of Utah County for financial reporting purposes. Prior to July 1, 2003, Wasatch Mental Health was a legal and administrative entity created by Utah and Wasatch Counties under an inter-local cooperation agreement in July of 1992. This entity was dissolved as of the end of the fiscal year June 30, 2003.

The Center accounts for its transactions in an enterprise fund.

Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the statement of net assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 are followed unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Center are government service contracts and grants, and charges to patients for treatment services. Operating expenses for the Center include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Revenues from governmental grants and contracts are recognized when qualifying expenses are incurred, or when qualifying services are rendered.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An allowance for uncollectible billings and contractual adjustments is provided to adjust the patient receivables to the estimated net realizable amount, based on collection experience of mental health providers in Utah. Uncollectible billing estimates were \$260,745 and \$479,460 for 2006 and 2005, respectively.

The Center has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Center does not expect payment, estimated charges for charity care are not included in revenue. Charity care costs are costs incurred by the Center in the providing of mental health services for individuals or groups which are considered unfunded. It is estimated that the Center incurred charity care costs of approximately \$430,000 in the fiscal year ended June 30, 2006.

An annual operating budget is adopted for the Enterprise Fund. All annual appropriations lapse at fiscal year end if not expended.

All property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical costs were used for a number of vehicles. Donated property is valued at estimated fair value on the date donated. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 beginning in 2006 and more than \$3,000 prior to 2006. Depreciation is provided using the straight-line method as per the American Hospital Association guidelines, over the following estimated useful lives:

Building & Improvements	25-30 Years
Furniture & Equipment	5-20 Years
Vehicles	4 Years
Computer & Computer Equipment	3 Years

Revenues received prior to the year in which they are to be expended are shown as deferred revenue in the liability section of the combined balance sheet.

Center employees earn vacation on a biweekly basis in varying amounts as determined by the employee's years of service. Amounts of vacation earned and not paid as of June 30, 2006 have been accrued as a liability.

The Center has accrued \$746,477 for compensated absences. Compensated absences consist of vacation, sick, catastrophic, and holiday accruals.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The amounts reclassified are not material to the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits and investments for the Center are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Center's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be recovered. The Center's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of Center funds to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At June 30, 2006, the carrying amount of the Center's deposits was \$187,354 and the bank balance was \$337,771. Of this amount, \$226,667 is covered by federal depository insurance; the remaining \$111,104 was uncollateralized and uninsured. Deposits are not required by state statute to be collateralized.

Investments – Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments that are in the possession of an outside party.

The Center follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Center funds in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (CONT.)

Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The Center's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include: deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The Center is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Following are the Center's investments at June 30, 2006.

Investment Type	Cost	Maturity	Quality Ratings
PTIF Investments	\$ 7,023,966	59 days*	not rated
Bonds	4,570,219	16 days*	not rated
Total	<u>\$ 11,594,185</u>		

*Weighted-average maturity

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the Center's investments are noted in the previous table.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (CONT.)

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

NOTE 3 – RESTRICTED CASH

Cash held for clients is restricted to payments made to or on behalf of clients.

NOTE 4 – CHANGES IN CAPITAL ASSETS

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

A summary of changes in property and equipment is as follows:

	Balance 07/01/05	Additions	Retirements	Balance 06/30/06
Land, buildings and improvements	\$ 8,507,360	\$ 32,963		\$ 8,540,323
Furniture and equipment	986,870	133,236	\$ 11,481	1,108,625
Vehicles	170,239	58,509		228,748
Total	<u>\$ 9,664,469</u>	<u>\$ 224,708</u>	<u>\$ 11,481</u>	<u>\$ 9,877,696</u>

NOTE 5 – ECONOMIC DEPENDENCE

The Center receives the majority of its funding from federal, state and local government sources and is economically dependent on the continuation of these sources.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 6 – RETIREMENT PLANS

The Center participates in the Utah Retirement Systems (URS) which is a cost-sharing, multiple-employer defined benefit pension plan covering substantially all eligible employees of the State of Utah and employees of other participating local government units. The URS administers the following separate retirement systems in which the Center participates: the Local Government Contributory Retirement System and the Local Government Noncontributory Retirement System. Under the contributory system, the Center pays the employer and employee portions of the required plan contributions, totaling 13.08% of eligible employees' earnings. Under the noncontributory system the Center contributes 11.09% of eligible employees' earnings. The Center also contributes 3.64% of eligible employees' earnings for those participants in the noncontributory plan to a 401K plan as described in the last paragraph of this footnote.

The Center's total payroll for 2005-06 was \$10,734,135 of which \$8,925,826 was covered by the Utah Retirement System. Contributions for the 2005-06 year of \$990,756 represent 11.09% of total participating employees' salaries and wages. The contribution rate is designed to fund current pension costs as they accrue and to amortize past-service costs over a 40-year period. Contributions to the System were remitted on a timely basis.

The URS provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the various systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 6 – RETIREMENT PLANS (CONTINUED)

A brief summary of eligibility and benefits is as follows:

	CONTRIBUTORY SYSTEM	NONCONTRIBUTORY SYSTEM
<u>Highest Average Salary</u>	<u>Highest 5 Years</u>	<u>Highest 3 Years</u>
Years of service required and/or	30 years any age	30 years any age
age eligible for benefit	20 years age 60	25 years any age
	10 years age 62	20 years age 60
	4 years age 65	10 years age 62
		4 years age 65
Benefit percent per	1.25% per year to June 1975	2.00% per year, all years
year of service	2.00% per year from July 1975 to present	

The Center contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$5,807, \$10,008, and \$9,254, respectively. For the Noncontributory Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$984,950, \$817,910, and \$681,207, respectively. The contributions were equal to the required contributions for each year.

Ten-year historical trend information showing URS progress in accumulating sufficient assets to pay benefits when due is presented in the URS December 31, 2005 component unit financial report.

The Center also participates in a defined contribution retirement plan. This plan is administered by URS and approved by the Center's governing board. The plan meets the requirements of a qualified plan under Section 401k of the Internal Revenue Code. Under the plan the Center contributes 3.64% of eligible employees' earnings for those participating in the IRS noncontributory plan described above. Employees are 100% vested in all contributions to the plan. The Center's expenditure for this plan for 2005-06 fiscal year was \$355,486.

NOTE 7 – DEFERRED COMPENSATION PLAN

Wasatch Mental Health Services Special Service District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 7 – DEFERRED COMPENSATION PLAN (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants or their beneficiaries by Utah Retirement Systems.

NOTE 8 – CONTINGENCIES

The Center is pursuing various legal and informal actions in attempts to recover additional monies from previous employees involved in wrongful conduct. No receivables have been recorded relating to these actions. All subsequent recoveries of restitution will remain property of the Center.

NOTE 9 – COMMITMENTS

Operating leases

The Center entered into a lease with the Utah State Motor Pool for the use of motor vehicles at a designated monthly rate for each vehicle plus an additional charge for mileage. For the current fiscal year, the Center has recorded \$98,896 in lease expense under this lease.

NOTE 10 – NOTES RECEIVABLE – PROVO CITY HOUSING AUTHORITY

During the 1999-2000 fiscal year, the Center entered into an agreement with Provo City Housing Authority (PCHA) whereby the Center acted as developer for the construction of a 24-unit apartment complex to be used for low-income housing for mentally ill persons. At the completion of construction, the complex was sold to Maple View Apartments II, LLC, in exchange for the notes receivable, described below. PCHA is the managing member of the LLC, which obtained federal low-income housing tax credits through a commercial bank for the majority of the cost of the project. The bank is a non-managing member of the LLC. The long-term portion is to be paid out of the LLC's operating revenues, based on a 30-year amortization schedule. The Center has the option, at the end of 15 years, to purchase the complex for the amount of the outstanding debt.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 10 – NOTES RECEIVABLE-PROVO CITY HOUSING AUTHORITY (CONT.)

The note receivable as of June 30, 2006 is as follows:

5% note receivable from Provo City Housing Authority.

Payments are due monthly through July 2015, including interest.

\$ 477,674

Amount receivable within one year

(10,698)

Long-term portion

\$ 466,976

NOTE 11 – STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

NOTE 12 – MEDICAID CONTRACT COMMITMENT

The State Medicaid contract requires that the Center establish and maintain a reserve balance to cover costs of all services provided. The amount of the reserve must be equal or greater to the expected average expenses for all services for a 60 day period. The reserve balance is to be supported by current assets minus current liabilities. The Center determined that this amount was \$3,111,056 at June 30, 2006. The Center had adequate working capital as of that date to meet the requirement..

NOTE 13 – RELATIONSHIP WITH UTAH COUNTY

Wasatch Mental Health is a separate Special Service District of Utah County formed on July 1, 2003. The Center provides mental health services to the residents of Utah County. Due to the significance of the operational relationship the Center has with Utah County, the Center is considered a component unit of the County and its operations are included with those of the County in the County's financial reports.

The County is statutorily designated as the Local Mental Health Authority in Utah County and has chosen to utilize the Center to fulfill this obligation. The three elected Utah County commissioners serve as the authority board. The authority board directs the Center in the actual delivery of services.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 14 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

During fiscal year 1997, Wasatch Mental Health adopted and implemented a post-retirement benefit plan. This benefit is available to all Center employees that retire from Wasatch Mental Health and are eligible to receive retirement benefits under the Utah State Retirement System. The purpose of this benefit is to provide medical and dental insurance coverage to employees that retire before age 65 and their spouses until each reaches Medicare eligibility at age 65. The Center pays 75% of the medical premium and 50% of the dental premium, and the employee pays their respective portion.

The Center adopted GASB 45 (see Note 16), which requires that post-employment benefits other than pensions be accounted for in a similar manner to that of pensions. The Center is now expected to forecast the amount of future liability associated with this benefit and record the liability and associated expense as the employees earn it, not on a pay as you go basis.

To forecast the liability the Center did not obtain an actuarial determination of future plan obligations. Instead, the Center used the alternative approach for small plans as outlined by GASB 45. The assumptions included in the determination of the obligation are employee turnover rates, current health insurance costs, years of service, catastrophic and converted sick leave, and employee age.

The cost for this plan for the fiscal year ended June 30, 2006 was \$58,789. Currently, the plan is being funded on a pay-as-you-go basis. The cost will be captured in each year's budget based on prior-year experience.

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contributed	Net Benefit Obligation
06/30/06	\$ 62,586	0.00%	\$ 1,032,195

NOTE 15 – RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; damage to the property of others; and malpractice. The Center has obtained commercial insurance against the following types of risk:

- General liability
- Real and personal property damage
- Public employee bond
- Workers compensation
- Vehicle liability

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2006

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2004 the Center adopted GASB 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." As a result of this change, the Center was required to record the liability arising from the Center's policy to fund a retiring employee's health insurance premiums until the employee attains age 65 as the employee earns this benefit rather than on a pay as you go basis. The cumulative affect of this change in accounting on net assets for the year ended June 30, 2005 was a decrease of \$852,928.

NOTE 17 – DISCRETE COMPONENT UNIT

During fiscal year 2006 the Center formed the Friends of Wasatch Mental Health Foundation (Foundation), a non-profit corporation under section 501(c)(3) of the internal revenue code. The purpose of the Foundation is to seek funding for the programs of the Center, and all funds obtained will be used for the benefit of the Center.

The Foundation is a separate legal entity with its own governing board. The board is made up of four individuals. One of the board members must be an employee of the Center and is appointed by the Center's executive director. All other board members will be chosen by the Foundation's governing board.

Because of the significance of the relationship between the Center and the Foundation, the Foundation is presented as a discrete component unit within the Center's financial statements.

SUPPLEMENTAL INFORMATION

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Statement of Revenues and Expenses Compared to Budget

For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Contracts	\$ 13,301,546	\$ 12,982,548	\$ (318,998)
Service Grants	5,128,264	5,128,264	
Collections	1,135,500	531,430	(604,070)
Other Revenue	666,000	910,962	244,962
	<u>666,000</u>	<u>910,962</u>	<u>244,962</u>
Total revenue	<u>\$ 20,231,310</u>	<u>\$ 19,553,204</u>	<u>\$ (678,106)</u>
Expenses			
Personnel	\$ 15,068,412	\$ 14,306,821	\$ 761,591
Travel	75,600	51,330	24,270
Office	115,900	106,317	9,583
Occupancy	651,235	697,344	(46,109)
Contracted Services	1,828,848	1,923,188	(94,340)
Staff Support	264,180	256,994	7,186
Professional Supplies	43,240	47,012	(3,772)
Patient Expenses	636,125	657,927	(21,802)
Other Expenses	1,542,794	1,354,527	188,267
	<u>1,542,794</u>	<u>1,354,527</u>	<u>188,267</u>
Total expenses	<u>\$ 20,226,334</u>	<u>\$ 19,401,460</u>	<u>\$ 824,874</u>

SINGLE AUDIT SECTION

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through: Utah State Department of Human Services Mental Health Services for the Homeless Block Grant	93.150		\$ 68,702
Community Mental Health Services Block Grant	93.958	03-0036	379,400
Title XX Social Services Block Grant	93.667		14,000
Runaway & Homeless Youth Grant	93.623	08CY0180/01	<u>16,667</u>
Total - Department of Health & Human Services			<u>478,769</u>
DEPARTMENT OF EDUCATION			
Passed through: Alpine School District Title I Grants to Local Educational Agencies	84.027	4248	<u>84,613</u>
Total - Department of Education			<u>84,613</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 563,382</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF UTAH COUNTY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wasatch Mental Health Services Special Service District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 – NON-CASH ASSISTANCE

No Federal awards were expended in the form of non-cash assistance.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Authority Board

Wasatch Mental Health Services Special Service District

We have audited the financial statements of Wasatch Mental Health Services Special Service District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wasatch Mental Health Services Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wasatch Mental Health Services Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2006



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Authority Board
Wasatch Mental Health Services Special Service District

Compliance

We have audited the compliance of Wasatch Mental Health Services Special Service District with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Wasatch Mental Health Services Special Service District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Wasatch Mental Health Services Special Service District's management. Our responsibility is to express an opinion on Wasatch Mental Health Services Special Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wasatch Mental Health Services Special Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wasatch Mental Health Services Special Service District's compliance with those requirements.

In our opinion, Wasatch Mental Health Services Special Service District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Wasatch Mental Health Services Special Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wasatch Mental Health Services Special Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine

our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

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CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2006



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

The Authority Board
Wasatch Mental Health Services Special Service District

We have audited the financial statements of Wasatch Mental Health Services Special Service District; a component unit of Utah County, for the year ended June 30, 2006, and have issued our report thereon dated November 29, 2006. As part of our engagement we have audited Wasatch Mental Health Services Special Service District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. Wasatch Mental Health Services Special Service District received the following major State assistance programs from the State of Utah:

Department of Human Services

- Mental Health Services
- Mental Health Services – Juvenile
- Youth Receiving Center
- PASRR (Pre-Assessment Screening Resident Review)
- YCSC – Youth Corrections (Vantage Point)
- New Vista Residential

Administrative Office of the Courts

- Community Based Programs – Youth Corrections (Vantage Point)

Wasatch Mental Health Services Special Service District also received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Wasatch Mental Health Services Special Service District's financial statements.)

Department of Health Services

- Children's Grant
- Domestic Violence

Our audit also included test work on Wasatch Mental Health Services Special Service District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Guide, including:

- Public debt

Cash management
Purchasing requirements
Budgetary compliance
Special Districts
Other general compliance issues

The management of the Wasatch Mental Health Services Special Service District is responsible for the organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Wasatch Mental Health Services Special Service District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch Mental Health Services Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

This report is intended solely for the information and use of management and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2006

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Wasatch Mental Health Services Special Service District.
2. There were no reportable conditions relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit.
4. There were no findings relative to the internal control over compliance with major federal award programs.
5. The auditor's report on compliance for the major federal awards programs for Wasatch Mental Health expresses an unqualified opinion.
6. There were no findings relative to the major federal award program.
7. The program tested as a major program is:
Community Mental Health Services Block Grant, CFDA No. 93.958
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Wasatch Mental Health Services Special Service District was determined to be a low risk auditee

B. FINDINGS – FINANCIAL AUDIT

There were no current year findings.

**C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no findings or questioned costs.

D. PRIOR YEAR AUDIT FINDINGS

There were no prior year findings.

**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF UTAH COUNTY
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2006

A. PRIOR YEAR AUDIT FINDINGS

There were no prior year findings.